

**UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.<sup>1</sup>

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**JOINT STATUS REPORT OF MOVANT AMBAC ASSURANCE CORPORATION AND  
RESPONDENTS THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR  
PUERTO RICO, AS REPRESENTATIVE OF THE COMMONWEALTH OF PUERTO  
RICO, AND THE PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY  
AUTHORITY WITH RESPECT TO THE RULE 2004 MOTIONS**

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<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801).

To the Honorable United States Magistrate Judge Judith Gail Dein:

Movant Ambac Assurance Corporation (“Ambac”) and Respondents the Financial Oversight and Management Board for Puerto Rico (the “Board”), as representative of the Commonwealth of Puerto Rico (the “Commonwealth” or “Debtor”) pursuant to section 315(b) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), and the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF” and, together with the Board, the “Government Parties”),<sup>2</sup> respectfully submit this Joint Status Report in response to the Court orders dated January 23, 2020 (Dkt. No. 10332), February 6, 2020 (Dkt. No. 10727), May 21, 2020 (Dkt. No. 13203), and June 24, 2020 (Dkt No. 13488).

**I. PROCEDURAL BACKGROUND REGARDING AMBAC’S RULE 2004 REQUESTS**

1. On October 28, 2019, Ambac filed *Ambac Assurance Corporation’s Motion for Entry of Order Authorizing Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Assets* (Dkt. No. 9022) (the “Assets Motion”), and *Ambac Assurance Corporation’s Motion for Entry of Order Authorizing Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Cash Restriction Analysis* (Dkt. No. 9023) (the “Cash Motion” and, together with the Assets Motion, the “Rule 2004 Motions”).

2. On November 8, 2019, the Government Parties filed the *Urgent Motion of Financial Oversight and Management Board for Puerto Rico and Puerto Rico Fiscal Agency and Financial Advisory Authority to Strike (A) Ambac Assurance Corporation’s Motion for Entry of Order Authorizing Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Assets [ECF No. 9022] and (B) Ambac Assurance Corporation’s Motion for Entry of Order Authorizing*

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<sup>2</sup> Ambac and the Government Parties are collectively referred to as the “Parties.”

*Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Cash Restriction Analysis [ECF No. 9023] and for Sanctions* (Dkt. No. 9131) (the “Motion to Strike”).

3. On January 23, 2020, Judge Swain issued a memorandum order denying the Motion to Strike (Dkt. No. 10332) (the “Memorandum Order”). The Memorandum Order directed the Parties to meet and confer by February 3, 2020 concerning the scope and mechanics of discovery responsive to the Rule 2004 Motions. *Id.* at 9.

4. Since the Memorandum Order was entered, the Parties have filed periodic status reports regarding their meet-and-confers. Most recently, on May 20, 2020, the Parties filed the *Joint Status Report of Movant Ambac Assurance Corporation and Respondents the Financial Oversight and Management Board for Puerto Rico, as Representative of the Commonwealth of Puerto Rico, and the Puerto Rico Fiscal Agency and Financial Advisory Authority with Respect to the Rule 2004 Motions* (Dkt. No. 13192) (the “May 20 Joint Status Report”) that detailed their May 11, 2020 telephonic conference, related communications, and agreed parameters for the resolution of disputed aspects of the Rule 2004 Motions. The Parties agreed in the May 20 Joint Status Report to have another meet-and-confer by June 10, 2020, and to file an Updated Joint Status Report on July 17, 2020.

## **II. THE PARTIES’ PROGRESS SINCE THE PREVIOUS UPDATE TO THE COURT**

5. Since the filing of the May 20 Joint Status Report, the Parties have continued to exchange correspondence<sup>3</sup> and meet and confer telephonically. Specifically, the Parties met and

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<sup>3</sup> The Parties’ positions with regard to each of Ambac’s requests is memorialized in the following correspondence: (i) Ambac’s letter to the Government Parties dated June 9, 2020 (attached hereto as Exhibit A); (ii) Ambac’s letter to the Government Parties dated June 18, 2020 (attached hereto as Exhibit B); (iii) AAFAF’s letter to Ambac dated June 19, 2020 (attached hereto as Exhibit C); (iv) the Board’s letter to Ambac dated June 22, 2020 (attached hereto as Exhibit D); (v) Ambac’s email to the Government Parties dated June 26, 2020 (attached hereto as Exhibit E); (vi) Ambac’s email to the Government Parties dated July 1, 2020 (attached hereto as Exhibit F); (vii) the Board’s email to Ambac dated July 2, 2020

conferred by telephone on June 10, 2020 (the “June 10 Meet and Confer”) and July 1, 2020 (the “July 1 Meet and Confer”). The current state of the Parties’ negotiations regarding each pending request is as follows:

**A. Status of Assets Requests (Directed Principally to AAFAF)**

6. The Parties continue to negotiate in good faith regarding Ambac’s Prioritized Assets Requests.

7. AAFAF is continuing to look for information relevant to the Commonwealth’s official inventory of real property assets and the list of prioritized assets provided by Ambac. AAFAF is also working towards producing documents in response to Ambac’s June 9 request for submissions received by AAFAF in response to a memorandum AAFAF circulated to all Commonwealth agencies requesting information concerning such agencies’ assets.

8. Additionally, AAFAF has advised Ambac that it has not identified written materials discussing transactions under consideration by the Real Property Valuation and Disposal Committee (the “Committee”) beyond official resolutions and transaction lists that were produced on April 22, 2020, May 15, 2020, June 22, 2020, and July 17, 2020, but would continue to investigate whether such materials exist, subject to its objection that collection and review of emails would be unduly burdensome. AAFAF also advised that it has not identified any pre-existing list of properties that have been foreclosed upon but is working with the Municipal Revenue Collection Center (“CRIM”) to determine whether such a list could be compiled.

9. Further, AAFAF has advised Ambac that its progress in responding to some of Ambac’s Prioritized Assets Requests continues to be affected by the COVID-19 pandemic, as

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(attached hereto as Exhibit G); (viii) Ambac’s letter to the Government Parties dated July 10, 2020 (attached hereto as Exhibit H); and (ix) the Board’s letter to Ambac dated July 17, 2020 (attached hereto as Exhibit I).

government employees are not as-readily able to access their offices and in-office files. Ambac expressed its understanding of the challenges posed by shutdown orders, and the Parties agreed to continue to make progress where possible. AAFAF expects to provide a further update on timing when it is possible for government employees to obtain regular access to files in their offices.

**B. Status of Cash Requests (Directed Principally to the Board)**

10. The Parties continue to negotiate in good faith regarding Ambac's Prioritized Cash Requests and have made progress on some requests. For instance, the Board has continued to produce underlying factual source materials and raw data for the Duff & Phelps report and October 2, 2019 presentations, and the Board expects to complete its production of such materials by the end of this month. Additionally, the Board has agreed to produce a document identifying all accounts in Appendix J to the operative Disclosure Statement by account number. To date, the Board has produced approximately 11,457 documents, and Ambac's review and analysis of the documents produced by the Board remains ongoing.

11. The Parties are continuing to discuss certain other issues on which the Parties have not yet reached agreement. Ambac sent a proposed stipulation to the Government Parties on June 28, 2020 memorializing its understanding of the representations that the Board has made in the course of the meet-and-confer process regarding necessary operating expenses and related topics (the "Proposed Stipulation"). During the July 1 Meet and Confer, the Board advised Ambac that it was in the process of reviewing the Proposed Stipulation and could not yet discuss the provisions thereof. On July 10, Ambac requested that the Board advise Ambac regarding its availability to meet and confer. The Board advised in correspondence this morning that its view is that the Proposed Stipulation is "not workable." The Parties will continue to discuss this topic.

12. The Parties also are discussing two follow-up requests related to the Duff & Phelps report and October 2, 2019 presentations. Specifically, Ambac has requested: (i) underlying

calculations, meaning Excel or dynamic versions of certain charts and tables in the Duff & Phelps report and October 2, 2019 presentations that contain the mechanical calculations underlying the amounts included in those charts and tables; and (ii) process documents, meaning documents and communications reflecting the processes, assumptions, and methodologies used to classify accounts as restricted or unrestricted. The Parties' positions with regard to these follow-up requests are memorialized in the correspondence attached hereto as Exhibits A, B, D, E, H, and I. The Parties have agreed to continue their discussions regarding these requests for now in the hopes of resolving or narrowing areas of dispute.

13. The Parties would propose to submit an updated status report to the Court on September 1, 2020.

*[Remainder of Page Intentionally Left Blank]*

Dated: July 17, 2020  
San Juan, Puerto Rico

**FERRAIUOLI LLC**

By: /s/ Roberto Cámara-Fuertes  
Roberto Cámara-Fuertes (USDC-PR No. 219002)  
Sonia Colón (USDC-PR No. 213809)  
221 Ponce de León Avenue, 5th Floor  
San Juan, PR 00917  
Telephone: (787) 766-7000  
Facsimile: (787) 766-7001  
Email: rcamara@ferraiuoli.com  
scolon@ferraiuoli.com

**MILBANK LLP**

By: /s/ Atara Miller  
Dennis F. Dunne (admitted *pro hac vice*)  
Atara Miller (admitted *pro hac vice*)  
Grant R. Mainland (admitted *pro hac vice*)  
John J. Hughes, III (admitted *pro hac vice*)  
55 Hudson Yards  
New York, NY 10001  
Telephone: (212) 530-5000  
Facsimile: (212) 530-5219  
Email: ddunne@milbank.com  
amiller@milbank.com  
gmainland@milbank.com  
jhughes2@milbank.com

***Attorneys for Ambac Assurance Corporation***

**PROSKAUER ROSE LLP**

By: /s/ Martin J. Bienenstock  
Martin J. Bienenstock  
Stephen L. Ratner  
Timothy W. Mungovan  
Paul V. Possinger  
Margaret A. Dale  
(Admitted *Pro Hac Vice*)  
Eleven Times Square  
New York, NY 10036  
Tel: (212) 969-3000  
Fax: (212) 969-2900

**O'NEILL & BORGES LLC**

By: /s/ Hermann D. Bauer  
Hermann D. Bauer (USDC No.  
215205)  
250 Muñoz Rivera Ave., Suite 800  
San Juan, PR 00918-1813  
Tel: (787) 764-8181  
Fax: (787) 753-8944

*Attorneys for the Financial Oversight and  
Management Board as representative of  
the Commonwealth*

**O'MELVENY & MYERS LLP**

By: /s/ Peter Friedman  
John J. Rapisardi  
(Admitted *Pro Hac Vice*)

7 Times Square  
New York, NY 10036  
Tel: (212) 326-2000  
Fax: (212) 326-2061

Peter Friedman  
(Admitted *Pro Hac Vice*)  
1625 Eye Street, NW  
Washington, DC 20006  
Tel: (202) 383-5300  
Fax: (202) 383-5414

Elizabeth L. McKeen  
Ashley M. Pavel  
(Admitted *Pro Hac Vice*)  
610 Newport Center Drive  
17th Floor  
Newport Beach, California 92660  
Tel: (949) 823-6900  
Fax: (949) 823-6994

**MARINI PIETRANTONI MUÑIZ LLC**

By: /s/ Luis C. Marini-Biaggi  
Luis C. Marini-Biaggi  
USDC No. 222301  
Email: lmarini@mpmlawpr.com  
Carolina Velaz-Rivero  
USDC No. 300913  
Email: cvelaz@mpmlawpr.com  
250 Ponce de León Ave.  
Suite 900  
San Juan, Puerto Rico 00918  
Tel: (787) 705-2173  
Fax: (787) 936-7494

*Attorneys for the Puerto Rico Fiscal  
Agency and Financial Advisory  
Authority*



**CERTIFICATE OF SERVICE**

I hereby certify that on this same date a true and exact copy of this notice was filed with the Clerk of Court using the CM/ECF system, which will notify a copy to counsel of record.

/s/ Roberto Cámara-Fuertes

Roberto Cámara-Fuertes (USDC-PR No. 219002)

221 Ponce de León Avenue, 5th Floor

San Juan, PR 00917

Telephone: (787) 766-7000

Facsimile: (787) 766-7001

Email: rcamara@ferraiuoli.com